

FISCAL NOTE

Bill #: HB0575 **Title:** Authorize Montana savings bonds
Primary Sponsor: Ballantyne, N **Status:** As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	FY 2004 Difference	FY 2005 Difference
Expenditures:	\$0	\$0
Revenue:	\$0	\$0
Net Impact on General Fund Balance:	\$0	\$0

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|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. The Board of Examiners would be authorized to issue up to \$40 million in small denomination bonds, modeled after United States savings bonds.
2. The bond proceeds would be split three ways: One third would be allocated to the Department of Public Health and Human Services (DPHHS), one-third to public education and one-third to the general fund.
3. A sinking fund would be established to accumulate accrued interest to be paid to investors upon maturity of the bonds.

TECHNICAL NOTES:

1. Debt service cannot be calculated because the type of bonds to be issued is unclear. In order for the bonds to be marketable, more specific language would be required.
2. A debt service reserve cannot be funded with bond proceeds if the bonds are tax-exempt. It appears from the bill language that the bonds are intended to be tax-exempt since the full faith and credit of the state is pledged for repayment of the bonds.
3. Marketing bonds in \$25 dollar increments would be extremely difficult for financial institutions. Bonds are usually sold in increments of not less than \$5,000.
4. The bill provides no mechanism for distributing the portions of bond proceeds that are earmarked for "public education" or for DPHHS.
5. It's not clear whether the one-third portion of bond proceeds that's earmarked in HB 575 for "public education" is intended to enhance or to replace funds currently appropriated from the general fund for public education purposes.